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EU Omnibus Proposals: Key Impacts on CSRD, CSDDD, Taxonomy Regulation and CBAM

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On 26 February 2025, the European Commission released a highly anticipated "omnibus simplification package" in response to concerns that the burden of sustainability reporting requirements has created a competitive disadvantage for European companies and the EU economy. The proposals seek to significantly reduce the scope and substance of the existing regimes, and would amend rules introduced under the EU's Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), Taxonomy Regulation, and Carbon Border Adjustment Mechanism (CBAM), as well as the InvestEU and European Fund for Strategic Investment (EFSI) Regulations.

The proposals have been welcomed by certain segments of the international business community as a reduction in "red-tape," while many others have expressed concerns that the proposed changes, which the European Commission had previously claimed would be solely for the purposes of simplification and removing overlapping requirements, amount to a significant policy shift that could undermine the achievement of the objectives set out in the EU Green Deal.

The Commission's Omnibus package includes:

- A "stop the clock" Directive, which would delay the application of: (i) CSRD by two years for EU companies that are not yet in scope of the regime, such that the second wave of companies due to report on their 2025 financial year in 2026 will not be obliged to report information until 2028; and (ii) CSDDD by one year for the first wave of companies currently due to be subject to due diligence obligations in July 2027. The delay to the application of the Directives is intended to provide sufficient time for more substantive revisions to be agreed upon.

- A more substantive Directive to amend the scope of CSRD and to amend the substance of the due diligence obligations and associated requirements under CSDDD. The Commission estimates that their proposals will reduce the number of companies in scope of CSRD by 80% by aligning the thresholds more closely to CSDDD. The Commission is also intending to introduce delegated legislation to amend the European Sustainability Reporting Standards (ESRS).

- A draft Delegated Regulation to amend delegated acts made under the Taxonomy Regulation, including in respect of Taxonomy-alignment disclosures, which would reduce the number of required data points by around 70%, and to simplify the application of the "do no significant harm" (DNSH) test in respect of pollution prevention and control.

- A draft Regulation to introduce a new *de minimis* exemption from the CBAM Regulation that is expected to have the effect of reducing the scope of CBAM by around 90% of importers but continuing to capture around 99% of emissions associated with the import of "CBAM goods."

The Commission's proposals will be scrutinized by the European Parliament and Council which may propose amendments to the package of measures before final versions are agreed and approved. The Commission has requested that the European Parliament and Council prioritize their review of the "stop the clock" Directive, so as to provide certainty regarding delayed application for companies that would otherwise be obliged to publish a sustainability report under CSRD for the first time in 2026. For a more detailed discussion on anticipated timing, please see "Next steps" below.

Proposed Changes to CSRD

Scope and Timing

The following table summarises the proposed changes to the scope and application of the respective CSRD reporting "waves," as well as the effect of the proposed delays to the reporting timelines.

The proposals would, in effect, replace the current staggered scoping thresholds for EU companies with a single threshold, applying to EU companies that have more than (a) 1000 employees **and** either (b)(i) turnover above €50 million **or** (b)(ii) balance sheet above €25 million. In other words, the regime will apply to "large undertakings"[1] that have more than 1000 employees, aligning more closely with the scoping thresholds for CSDDD.[2] As a result, small and medium sized entities (SMEs) would be scoped out of the CSRD requirements. The regime will continue to apply to parent undertakings of large groups, if the group, on a consolidated basis, also exceeds 1000 employees.

As noted above, the introduction of a requirement for large companies (or large groups) to have more than 1000 employees is expected to reduce the scope of CSRD by around 80%.

The draft text requires transposition of the "stop the clock" Directive by Member States into national law by 31 December 2025. If the two-year delay is agreed upon, this will allow more time for the EU institutions to negotiate the more substantive changes proposed by the Commission in the second Directive, including with respect to the proposal to introduce a 1000 employee threshold.

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1 As defined in Article 3(4) of the Accounting Directive.

2 As a technical matter, CSDDD explicitly includes part-time employees and temporary workers within the calculation of the employee threshold; whereas, the Commission's CSRD Q&As suggest that in the absence of national rules, only full-time employees would count towards the CSRD threshold. For companies that are close to the 1000 employee threshold, this calculation discrepancy could lead to different outcomes when scoping for CSRD and CSDDD.

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CSRD: Summary of Changes to Scope and Timing				
Entity Cohort	**Original CSRD scope**	**Original Timing of First Sustainability Reports**	**Proposed CSRD Scope**	**Proposed Timing of First Sustainability Reports**
Wave 1 – Public Interest Entities (PIEs) and large listed companies	PIEs with more than 500 employees. Issuers with securities admitted to trading on EU regulated markets with more than 500 employees.[3]	Report in 2025 for FY 2024	The separate category for PIEs is **deleted**, and companies will be scoped in only if they are large companies (or parent undertakings of a large group) with more than 1000 employees. PIEs with fewer than 1000 employees will be scoped out (but will still be required to report in 2025 for the FY 2024 and likely in 2026 for FY 2025). The threshold for issuers with securities admitted to trading on a regulated market is **increased** to 1000 employees. Issuers with more than 500 employees, but fewer than 1000 employees will be scoped out (but will still be required to report in 2025 for FY 2024 and likely in 2026 for FY 2025).	Reports for FY 2024 are already due to be published in 2025[4]
Wave 2 – large EU companies	EU large undertakings (and parent undertakings of large groups), defined as those exceeding at least 2 of the following thresholds: (a) balance sheet total: €25mn; (b) net turnover: €50mn; (c) employees: 250.	Report in 2026 for FY 2025	EU large undertakings (and parent undertakings of large groups) with at least 1000 employees plus at least 1 of the following thresholds: (a) balance sheet total: €25mn; (b) net turnover: €50mn. The definition of a large undertaking is unchanged, so the 1000 employee requirement means that only a subset of large undertakings would be subject to CSRD (whereas it currently applies to all large undertakings).[5]	**Delayed** – report in 2028 for FY 2027
Wave 3 – SME PIEs and listed SMEs	SMEs[6] that are PIEs or issuers and which are not micro undertakings, small and non-complex institutions, and captive insurance undertakings.	Report in 2027 for FY 2026	Removed from scope.	**N/A** if changes to scope are confirmed, otherwise, **delayed** – report in 2029 for FY 2028

3 'Wave 1' also includes PIEs and issuers that are parent undertakings of a large group which has more than 500 employees on a consolidated basis.

4 The 'stop the clock' Directive does not amend the timing for 'wave 1'; however, 'wave 1' would be deleted if the more substantive Directive is adopted (on the basis that issuers and PIEs must also be large undertakings with more than 1000 employees to be in scope). Nonetheless, it is unlikely that the more substantive Directive will be in force prior to the obligation for 'wave 1' companies to report information for FY 2025 and so all 'wave 1' companies will be required to report again in 2026.

5 The thresholds for a company to be treated as a large undertaking are set out in the first column.

6 As defined in Article 3(2) and (3) of the Accounting Directive.

CSRD: Summary of Changes to Scope and Timing				
Entity Cohort	**Original CSRD scope**	**Original Timing of First Sustainability Reports**	**Proposed CSRD Scope**	**Proposed Timing of First Sustainability Reports**
Wave 4 – non-EU companies	Subsidiary undertakings[7] whose ultimate parent is a third country undertaking, or EU branches of third country undertakings where: (a) the EU subsidiary is a large company[8] or an SME which is a PIE, or, as applicable, the EU branch of the third country undertaking generates more than €40mn net turnover; and (b) the third-country undertaking, at a group level generates more than €150mn net turnover in the EU (for each of the last two consecutive financial years).	Report in 2029 for FY 2028	The EU net turnover threshold for the non-EU undertaking (or its group) is **increased** to €450mn; the threshold for the in-scope subsidiary undertaking is **increased** to align to the large undertaking thresholds (*i.e.* SME PIEs are scoped out); and the net turnover threshold for an EU branch is **increased** to €50mn.[9]	**Unchanged**

7 The third country reporting regime introduced by CSRD under Article 40a of the Accounting Directive technically applies to the EU subsidiary or branch, rather than the third country parent undertaking directly.

8 See thresholds for large companies applying to "Wave 2."

9 A large EU undertaking would still be required to report under Article 40a in line with the third country reporting standards if its third country parent (or the third country parent's group) met the €450mn net turnover threshold, even if the large EU undertaking does not have 1000 employees and is therefore not subject to sustainability reporting under CSRD itself.

ESRS and Sector-Specific Reporting Standards

The Commission has indicated that it intends to adopt a separate delegated act to revise the current ESRS. The revisions would seek to: (i) reduce the number of mandatory ESRS data points; (ii) prioritize quantitative data points over narrative text; (iii) provide clearer instructions on how to apply the materiality principle to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or to dedicate excessive resources to the materiality assessment process; and (iv) simplify the structure and presentation of the standards.

Contrary to rumours prior to the publication of the Omnibus proposals, the Commission is not seeking to change or remove the double materiality principle which lies at the core of CSRD, though has committed, via the revised ESRS, to provide additional instructions on how to apply the double materiality principle. Accordingly, in-scope companies will still be required to report on their impacts, as well as sustainability-related risks and opportunities.

The Commission intends to adopt the revised ESRS (which would still be subject to approval by the Parliament and the Council, albeit on the basis of a lack of objection requiring a qualified majority vote) at the latest six months after the entry into force of the substantive Directive amending CSRD and CSDDD.

In addition, to avoid increasing the number of prescribed data points, the proposals also suggest disposing with the development of sector-specific sustainability reporting standards, which were originally due for adoption in 2024, but which have already been delayed until 2026.

Assurance

Currently, CSRD requires limited assurance of reported sustainability information, and provides that the standard could, in the future, be increased to reasonable assurance. The proposals retain the requirement for limited assurance but remove the potential future uplift to reasonable assurance.

The Commission also proposes that the deadline for it to adopt [broad] standards for sustainability assurance through delegated acts, currently due by 2026, be extended indefinitely. Under the proposal the Commission would issue targeted assurance guidelines by 2026. This change is intended to allow the Commission to more quickly address key issues that generate unnecessary burden on in-scope undertakings. In particular, it has been noted that the current approach being taken by assurance providers may, in some cases, be creating a situation of “over compliance” by in-scope companies.

Voluntary Reporting Standards and Value Chain Cap

For undertakings that will not be in scope of mandatory sustainability reporting under CSRD (*i.e.* those with fewer than 1000 employees), the Commission proposes to adopt a delegated act introducing a voluntary sustainability reporting standard based on EFRAG’s voluntary sustainability reporting standard for SMEs (VSME), which are designed to offer a more proportionate approach to reporting for smaller companies. The Commission has argued that the introduction of voluntary standards will mean that while there is an 80% reduction in the scope of CSRD, this will not equate to an 80% reduction in the number of companies reporting sustainability information.

In order to prevent larger companies from imposing burdensome reporting requirements on their smaller value chain partners, the Commission proposes to introduce a rule that would prevent in-scope companies from requesting information from their smaller value chain partners (those with fewer than 1000 employees) that goes beyond the information required under the voluntary reporting standards (the value chain cap). Nonetheless, the Commission notes, without elaborating, that in-scope undertakings would still be able to collect from such companies any additional sustainability information that is commonly shared between companies in the same sector.

Taxonomy Reporting

Under Article 8 of the Taxonomy Regulation, large undertakings in scope of CSRD are also required to disclose the extent of their "Taxonomy alignment" in relation to the Capex, Opex, and turnover, in accordance with the calculation methodologies and presentation requirements set out in the Disclosures Delegated Act. The effect of the proposed changes to the CSRD scoping would also reduce the scope of the Article 8 disclosure obligation; however, the Commission is proposing to go further by making Taxonomy disclosures voluntary even for companies with more than 1000 employees, if their net turnover does not exceed €450 million.

Noting some of the challenges companies experience in evaluating their Taxonomy alignment, the Commission is also proposing to introduce a concept of "partial Taxonomy alignment." This would allow companies to report on activities that meet just certain technical screening criteria under the Taxonomy. The intention is for reporting on partial alignment to help foster a gradual environmental transition of activities over time, in line with the aim to scale up transition finance.

Proposed Changes to CSDDD

CSDDD entered into force on 25 July 2024 and requires EU and non-EU companies to implement sustainability due diligence measures to identify and address adverse human rights and environmental impacts in their own operations, the operations of their subsidiaries and in their chains of activities.

Scope and Timing

The Commission is not proposing to amend the scope of application of CSDDD. Accordingly, CSDDD will ultimately apply to all EU companies with more than 1000 employees, and more than €450 million in global net turnover, and to all non-EU companies generating more than €450 million net turnover in the EU.

Similar to CSRD, CSDDD is currently due to apply in three waves; however, unlike CSRD, all three waves contain scoping mechanisms that include non-EU companies, and CSDDD is intended to have direct extraterritorial effect for in-scope non-EU companies (unlike CSRD which applies the non-EU reporting requirements to an EU subsidiary or branch, rather than the non-EU parent / company directly).

The substantive due diligence obligations set out in CSDDD are set to apply from July 2027 onwards, meaning that it would require information from the first wave of companies to be reported in 2029, in respect of their 2028 financial year. Under the "stop the clock" Directive, the Commission is proposing to delay this application by one year. The implementation deadline for EU member states would also be delayed by one year, to July 2027. There is no proposal to delay the application for the second and third waves of companies under CSDDD. The table below describes the effect of the proposed delays

Entity Cohort	CSDDD Scope	Original Timing of Due Diligence Obligations / Reports	Proposed Timing of Due Diligence Obligations / Reports
Wave 1	EU companies with more than 5000 employees and more than €1.5bn net worldwide turnover. Non-EU companies with more than €1.5bn net turnover generated in the EU.	Due diligence obligations apply from July 2027, first information to be reported in 2029 for FY 2028.	**Delayed** – Due diligence obligations apply from July 2028, first information to be reported in 2030 for FY 2029. In effect, the distinct category for wave 1 is removed, as timing for companies in wave 1 is collapsed into the timing for wave 2 (*i.e.* since both waves exceed the applicable thresholds for wave 2).
Wave 2	EU companies with more than 3000 employees and more than €900mn net worldwide turnover. Non-EU companies with more than €900mn net turnover generated in the EU.	Due diligence obligations apply from July 2028, first information to be reported in 2030 for FY 2029.	**Unchanged**
Wave 3	EU companies with more than 1000 employees and more than €450mn net worldwide turnover. Non-EU companies with more than €450mn net turnover generated in the EU. EU or non-EU companies entering into franchising or licensing agreements in the EU, with more than €22.5mn royalties and €80mn net turnover.[10]	Due diligence obligations apply from July 2029, first information to be reported in 2030 for FY 2029.	**Unchanged**

10 For non-EU companies entering into franchising or licensing agreements in the EU, the net turnover and royalty figures must be generated in the EU.

Adoption of Due Diligence Guidelines

In an effort to reduce administrative burdens on companies, the Commission proposes to bring forward its own deadline to adopt general due diligence guidelines by six months, to July 2026. This will allow two full years for the new first wave of companies (*i.e.* combining the original waves 1 and 2 above) to digest the practical guidelines prior to the application of their due diligence obligations.

Reduced Scope and Frequency of Value Chain Due Diligence

Currently, CSDDD requires value chain due diligence with respect to a company's direct and indirect business relationships. In respect of upstream value chains, this extends to "tier n" business partners. Regarding downstream value chains, CSDDD requires companies to consider participants involved in distribution, transport or storage when done for or on behalf of the company. The Commission's proposals would limit the requirement to conduct due diligence along an undertaking's value chain to only its direct (*i.e.* "tier 1") business partners. Companies would only be required to look beyond their direct business relationships where they have "plausible information" of an objective character that suggests an adverse impact at the level of an indirect business partner. The proposals include the following examples where a company may have "plausible information": (i) a business relationship lacks economic rationale (*i.e.* where a business relationship was chosen to remove an otherwise direct supplier with harmful activities); (ii) the company has received a complaint or has received information through credible media or an NGO report; (iii) the company is aware of past incidents with an indirect supplier; and (iv) the company is aware of problems at a certain location. In addition, in-scope companies would be limited on the amount of information that they may request as part of the value chain mapping to information specified in the voluntary reporting standards under CSRD (see discussion above).

The proposals would reduce the frequency at which an in-scope company would be required to assess the adequacy and effectiveness of its due diligence measures from being on an annual basis to every five years.

Review Clause for Financial Services

Under CSDDD, financial services firms are only required to conduct due diligence with respect to their upstream value chains. CSDDD includes a review clause requiring the Commission to submit a report to the Parliament and Council by 26 July 2026 on the necessity of introducing additional sustainability due diligence requirements for financial undertakings. The Commission's proposals remove this review mechanism, noting that the timing of the review would not leave any time to take into account the experience with the newly established, general due diligence framework published by the Commission. As the review is removed rather than amended or delayed, this seems to suggest that the scope of due diligence for financial services would not be extended in the future.

Duty to Terminate Business Relationships

Where actual or potential impacts are identified in the value chain, CSDDD currently requires in-scope companies to terminate the business relationship as a last resort. The proposal would remove this requirement and replace it with an option to suspend the business relationship while continuing to work with the business partner towards a solution. This flexibility is introduced on the basis that companies may find themselves in situations where production relies heavily on inputs from one or several specific suppliers.

Stakeholder Engagement

Under the proposals, companies would only be required to engage with "relevant" stakeholders, which would include workers, their representatives including trade unions, individuals and communities whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners, and that have a link to the specific stage of the due diligence being carried out, for example, affected individuals when designing a remediation process and not in respect of other areas (*e.g.*, termination of business relationships).

Civil Liability

The EU-wide civil liability regime introduced by CSDDD would be removed by the proposals and CSDDD would defer to Member States on the introduction of any civil liability regime for breach of the requirements under CSDDD. This includes deletion of the current provision requiring a turnover-based pecuniary penalty, with a maximum penalty of no less than 5% of net worldwide turnover in the previous financial year. Nonetheless, to the extent Member States introduce a civil regime, such a regime would need to ensure that where a company is held liable for damage caused to a person by failure to comply with the due diligence requirements under CSDDD, those persons have a right to full compensation.

Transition Plans

Under the proposals, the requirement to put into effect a transition plan for climate change mitigation would be replaced to clarify that the obligation to adopt a transition plan includes outlining implementing actions, planned and taken.

Harmonisation

Notably, the Commission proposes to extend the scope of maximum harmonisation (allowing Member States to go beyond certain CSDDD requirements through the adoption of more stringent provisions) to additional provisions of the Directive. This would prevent Member States from introducing into their national law provisions that are covered by CSDDD relating to the identification duty, the duties to address adverse impacts that have been or should have been identified, and the duty to provide for a complaints and notification mechanism.

Proposed Changes to the Taxonomy Regulation

The Taxonomy Regulation and accompanying Climate Delegated Act and Environmental Delegated Act have created a unified EU classification system to define environmentally sustainable economic activities. The Disclosures Delegated Act specifies the form and content of the disclosures that entities in scope of Article 8 of the Taxonomy Regulation must make with regards to the proportion of their activities that are Taxonomy-eligible and Taxonomy-aligned.

As part of the Omnibus package, the Commission is proposing to amend the Climate Delegated Act, the Environmental Delegated Act, and the Disclosures Delegated Act.[11]

As delegated acts (*i.e.* secondary legislation), the Commission is able to propose and adopt amendments directly (subject to non-objection by the European Parliament and the Council). As such, the proposed changes are not subject to the same hurdles as will be required for CSRD and CSDDD. The Commission has therefore published a consultation seeking feedback on a proposed delegated regulation that would amend the three acts. The consultation is open for feedback for four weeks, closing on 26 March 2025, and contains the following key proposals. The Commission has not indicated how quickly the changes would be adopted following the consultation, but this could be enacted independently of any of the other changes contemplated in the Omnibus package.

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[11] The proposed "burden reduction and simplification measures" set out under the Disclosures Delegated Act are separate from the Commission's ongoing review for more substantive changes in the current reporting framework; in particular this review may cover issues related to the calculation of the green asset ratio for banks.

10% De Minimis *Threshold*

Financial and non-financial undertakings would not need to assess alignment with the EU Taxonomy for activities that are not financially material to their business. For these purposes, activities that constitute less than 10% of the relevant Taxonomy KPIs' denominators (*i.e.* Capex, Opex, turnover) will not be considered material. Furthermore, non-financial undertakings would be allowed not to report on alignment of operational expenditure if the cumulative turnover of their eligible activities do not exceed 25% of total turnover.

Reduced Scope of Reporting for Financial Institutions

For financial institutions, exposure to undertakings other than large undertakings that are required to publish sustainability reports under CSRD (as proposed to be amended by the Omnibus package), would be excluded from the denominator of the applicable KPIs, at least until the Commission has finalized its separate broader review of the Disclosures Delegated Act.

Simplification of Reporting Templates

The proposals would simplify reporting of summary KPIs and "per activity" information. It is anticipated that the proposals would reduce the number of data points reported by 66% for non-financial undertakings and by 89% for credit institutions.

DNSH

The proposals would also amend the Climate and Environmental Delegate Acts in order to address some technical edits to enhance the usability, legal clarity and consistency of some of the requirements under the "do no significant harm" criteria.

Proposed Changes to CBAM Regime

CBAM entered into force on 17 May 2023 and seeks to address the risk of "carbon leakage" with respect to greenhouse gas ("GHG") emissions reductions achieved under the EU Emissions Trading System ("ETS"), resulting from covered companies either moving their manufacturing operations to jurisdictions outside the scope of the ETS and/or increasing imports from out of scope jurisdictions. CBAM is set to require importers of certain energy-intensive goods and products[12] to pay a tax on imports corresponding to the price of emissions allowances under the ETS.

CBAM is currently in a transitional phase (2023-2025), during which importers of goods in scope of CBAM must monitor and report on embedded GHG emissions, but are not yet subject to a requirement to purchase and surrender CBAM certificates under the "definitive" period which will apply from 1 January 2026.

De Minimis *Threshold*

The most significant proposal in relation to CBAM is the proposal to introduce a more significant *de minimis* exemption (in place of the current €150 value per shipment threshold) with a *de minimis* threshold of 50 metric tons of net mass per importer on a cumulative, annual basis. This exemption would be expected to eliminate CBAM obligations for around 90% of importers (corresponding largely to SMEs and individuals)—though according to the Commission, over 99% of embedded emissions would remain in scope of CBAM. Importers relying on this exemption would be required to identify themselves as "occasional CBAM importers" on customs declarations and ensure that they do not surpass the threshold in any given year.

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[12] Including certain iron and steel goods, aluminum and goods made of aluminum, iron ore and hydrogen, certain fertilizers, electricity and certain mineral products, noting the scope is expected to be expanded in the future (post-transitional phase).

Other Changes

For importers that remain in scope of the CBAM regime, the Commission proposes to make further changes to facilitate compliance with CBAM obligations. Among others, the Commission proposes to simplify the authorisation process for declarants, allow default values to be used in the calculation of embedded emissions, extend annual deadlines to allow additional time for importers to verify emissions and fulfil reporting requirements, permit in-scope importers to maintain an inventory of CBAM certificates equivalent to 50% of emissions at the end of each quarter (down from an 80% requirement), and permit importers to rely on carbon prices paid in third countries (not just the country of origin) to reduce their financial liability under CBAM. The Commission also proposes to strengthen anti-abuse provisions and to develop a joint anti-circumvention strategy together with national authorities. We note the proposed simplification measures precede a scheduled review of CBAM to take place later this year, including to assess expansion to additional sectors.

Procedural Next Steps

The Commission's proposals with respect to CSRD, CSDDD, and CBAM, are subject to review by the European Parliament and Council as part of the ordinary legislative procedure (level 1 procedure). Upon review, both the Parliament and Council will agree on their respective positions, likely with amendments to the Commission's proposals, following which the three legislative bodies will enter into negotiations (trilogues) to reach a final position.

The "stop the clock" Directive has a specific purpose to delay application of CSRD and CSDDD to buy time for adoption of the more substantive amendments in the substantive Directive. Given this, the Commission has asked for its fast-track adoption and has included in its proposal a transposition deadline of 31 December 2025.

Nonetheless, it is unclear to what extent the Parliament and Council will fast-track the "stop the clock" Directive. It is possible under the ordinary legislative procedure for trilogues and adoption to take at least 18 months. If the "stop the clock" Directive is not transposed in good time (we note a number of EU Member States missed the 6 July 2024 deadline to transpose CSRD into national law), under the current rules, the second wave of companies under CSRD would need to make their first reports available in 2026, in spite of the fact that the Commission is seeking to exempt the significant majority of companies in this second wave from the requirements of CSRD completely.

The proposed Taxonomy Delegated Regulation is open for public consultation until 26 March 2025 and will then be adopted by the Commission. As noted above, the Commission has the ability to adopt these changes directly, albeit subject to the non-objection of the Parliament and the Council.

Immediate Takeaways for Companies

Of all of the proposals set out above, the proposed changes to the scoping and timing under CSRD are likely the most important consideration for the majority of companies. CSDDD is currently further away, and would only apply to the largest companies in scope of CSRD (which are themselves unaffected by the proposed revised scope).

Companies in waves 1, 2 and 3 of CSRD should pay close attention to the unfolding developments surrounding the Omnibus Simplification package, as the outcome could lead to a drastically different compliance burden.

In particular, companies in "wave 2" should monitor the progress of the "stop the clock" Directive through the EU institutions to determine whether they will be subject to an obligation to publish their first CSRD-compliant sustainability report in 2026 or not. Companies should not assume that even the 'fast track' process will be sufficient to achieve this.

Naturally, companies in wave 2 should also consider revisiting their current implementation plans for CSRD; however, depending on stakeholder expectations, it may be necessary to complete ongoing double materiality analysis and draft sustainability reports, even if the ultimate end product for such work streams is no longer a CSRD compliant report.

As listed SMEs and SME PIEs are not due to come into scope of CSRD until 2026 (with reporting in 2027), there is less riding on whether the “stop the clock” Directive is passed before the end of 2025. Noting that the Commission is proposing to scope out SMEs from CSRD completely, SMEs may wish to reconsider any ongoing CSRD compliance workstreams. Depending on stakeholder expectations, future voluntary reporting may emerge as a plausible option and the Commission’s proposed standards should be kept under review once available.

Finally, while the Commission proposes to increase the net turnover thresholds for non-EU companies to which the third country CSRD reporting requirements will relate, the Commission has not introduced an employee requirement. This is in line with the scoping provisions for CSDDD. As such, the reduction in scope is arguably less significant as compared to the waves covered EU companies. Non-EU companies that will remain in scope (via their EU subsidiaries or EU branch) of the third country requirements should continue to assess the requirements, noting that the Non-European Sustainability Reporting Standards (NESRS) proposed recently by EFRAG will likely need to align with any reduction in the volume of information to be reported by EU companies under the ESRS.

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